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MarketView
Suburban Maryland Office

FOURTH QUARTER 2007

"Supply is expected to exceed demand for the next two years but demand will rebound in 2010 due to new requirements in the health field."

-Larry Thau, Executive Vice President

QUICK STATS

	Current	Change from last Yr.	Change from last Qtr.
Vacancy	9.85%	↑	↑
Lease Rates	$26.89	↑	↑
Net Absorption*	574,920 SF	↑	↑
Deliveries	1,551,917 SF	↑	↑

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.) The time period is year to date.

HOT TOPICS

- Tenants seeking space in the inner submarkets are having to expand their searches into the outer submarkets.
- Deliveries for the year outstripped demand from tenants.
- Rental rates continued to increase despite slower leasing activity.

Tenants looking in Suburban Maryland are finding available space scarce in the inner submarkets, while available space in the outer submarkets increased due to deliveries throughout the year. As the market tightens closer to Washington, DC and new development opportunities remain scarce, developers are looking in areas such as the I-270 Corridor as well as Frederick and Prince George's Counties for opportunities to build.

While demand slowed in Suburban Maryland, supply continued to grow as developers completed new projects. Approximately 1.6 million square feet delivered over the course of 2007 with 32.1% preleased. There is another 3.1 million square feet currently under construction and due to deliver over the next two years. Much of it is in the I-270 Corridor, which will provide opportunities for tenants looking to find large blocks of Class A space. Of the Corridor's 2.1 million square feet under construction, only 15.6% of the space is preleased.

The lack of large blocks of space in the inner submarkets has forced tenants with larger requirements to seek space in markets such as Rockville, North Rockville and Germantown.

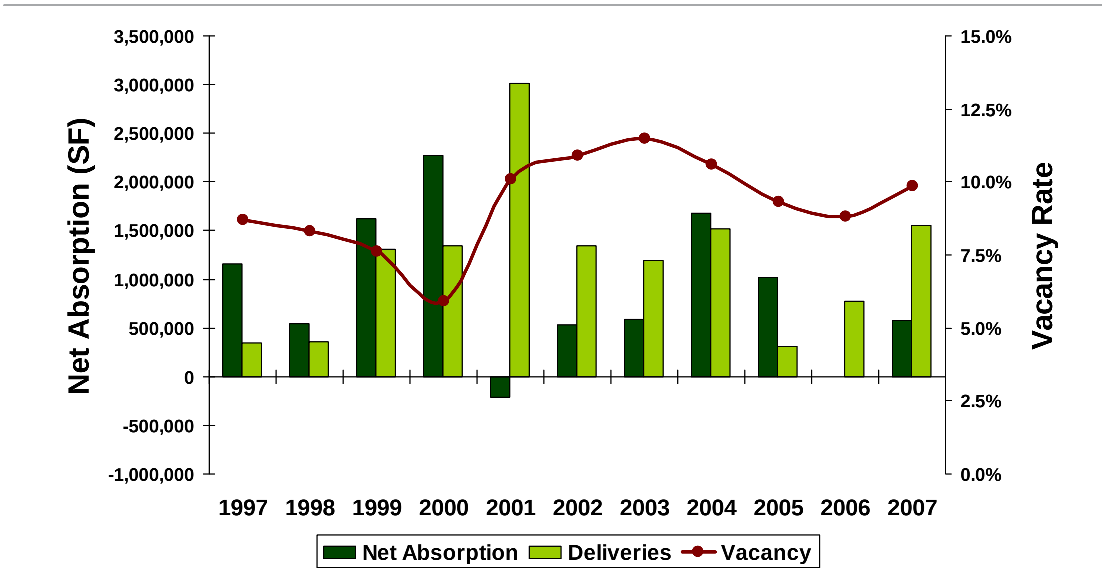
However, demand for large space dropped off the pace seen in the previous quarters.

Generally, tenants start their search looking for large blocks of space in Bethesda/Chevy Chase and Silver Spring. However, because of the absence of available blocks of space, tenants signed in Prince George's County and the outer submarkets of Montgomery County during the fourth quarter. The Comcast Corporation executed the largest lease of the fourth quarter. It leased for 92,108 square feet in Prince George's County. Most of the leases executed in the fourth quarter ranged from 5,000 square feet to 12,000 square feet.

Despite slowing demand for space, rental rates continued to increase throughout the year. The average asking rental rate has risen for four straight quarters by an average of $0.33 per square foot each quarter to end 2007 at $26.89 per square foot. Landlords are keeping rent growth positive as they push to reach pro forma assumptions on new construction.

As deliveries added more space to the market, vacancy rates rose slightly during the quarter increasing to 9.85% from 9.16%. It is expected that vacancy will increase into the new year due to the large amount of construction expected to deliver with few preleases in place.

Suburban MD Historical Net Absorption, Deliveries and Vacancy



Submarket	Inventory[1]	Total Vacancy Rate	YTD Absorption (SF)	YTD Deliveries (SF)	SF Under Construction	Avg. Asking Rent/SF
Gaithersburg	**4,968,755**	15.52%	(252,401)	200,000	187,150	$23.98
Germantown	**2,313,798**	8.81%	44,372	-	156,638	$25.12
North Bethesda	**10,165,610**	9.53%	204,329	187,000	240,731	$30.51
North Rockville	**10,968,166**	10.53%	312,125	292,000	487,996	$28.65
Rockville	**7,064,421**	7.59%	(129,735)	93,450	1,056,881	$30.20
Subtotal I-270 Corridor	*35,480,750*	*10.24%*	*178,690*	*772,450*	*2,129,396*	*$27.69*
Bethesda/Chevy Chase	**10,944,947**	6.49%	374	-	295,000	$34.65
Kensington/Wheaton	**1,638,382**	3.51%	(15,365)	-	-	$24.26
North Silver Spring/Rt. 29	**2,801,397**	5.57%	(48,595)	27,606	51,716	$24.22
Silver Spring	**6,546,572**	6.82%	(192,780)	-	-	$28.34
Montgomery County	***57,412,048***	***8.72%***	***(77,676)***	***800,056***	***2,476,112***	***$29.02***
Beltsville/Calverton	**1,536,110**	10.86%	11,229	-	-	$21.61
Bowie	**833,576**	16.81%	40,412	-	-	$29.96
Branch Avenue	**1,328,631**	7.17%	(1,225)	-	47,714	$19.62
College Park	**3,618,564**	11.92%	333,851	174,000	268,762	$22.08
Greenbelt	**3,156,179**	17.15%	88,072	-	-	$22.32
Lanham/Landover	**3,677,407**	8.01%	(115,510)	-	-	$21.42
Largo/Capital Heights	**1,034,817**	21.03%	68,684	87,933	-	$25.87
Laurel	**1,895,755**	11.43%	(43,091)	-	-	$20.17
Oxon Hill/Ft. Washington	**956,010**	16.33%	11,752	60,000	60,000	$21.78
Penn Ave/Upper Marlboro	**801,133**	30.56%	(89,922)	-	-	$22.74
Prince George's County	***18,838,182***	***13.30%***	***304,252***	***321,933***	***376,476***	***$22.77***
Frederick County	***4,691,811***	***9.78%***	***348,344***	***429,928***	***256,793***	***$23.38***
Suburban Maryland Total	***80,942,041***	***9.85%***	***574,920***	***1,551,917***	***3,109,381***	***$26.89***

[1]Total rentable area includes single tenant and owner occupied buildings.

SPOTLIGHT ON EMPLOYMENT GROWTH

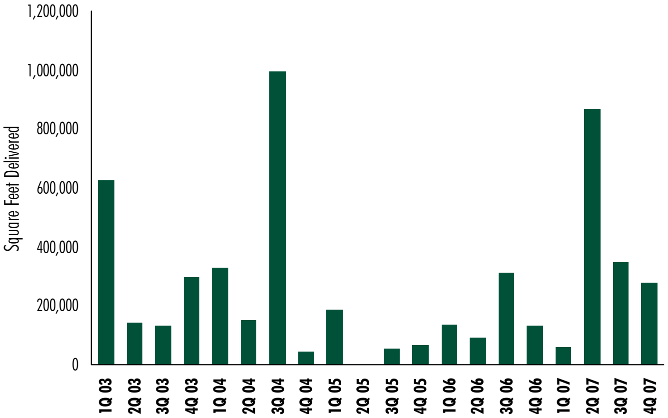
Business activity continued to generate job growth during 2007 in Suburban Maryland. The Bureau of Labor Statistics reported that in November 990,800 jobs were housed in Suburban Maryland, constituting a 0.5% annualized growth rate for 2007. Of the jobs reported, 51.5% were in office using sectors of the economy. These sectors grew at a much faster rate than the entire employment base. Over the same period, they grew at an annualized rate of 1.0%. Though healthy, the office using jobs generated in 2007 were well below levels experienced over the pervious three years. Since the beginning of 2004, office using employment has grown by 1.3% annually.

As a result of office using employment growth slowing, net absorption decreased over the same time period. Net absorption has averaged 818,836 square feet annually over the last four years. In 2007, it was 70.2% of the average or 574,920 square feet. Looking forward, economy.com expects office using employment to increase by only 0.5% in 2008.

Source: CBRE Research, Bureau of Labor Statistics and Economy.com.

DELIVERIES

Square Feet Delivered ■ 279,606 SF

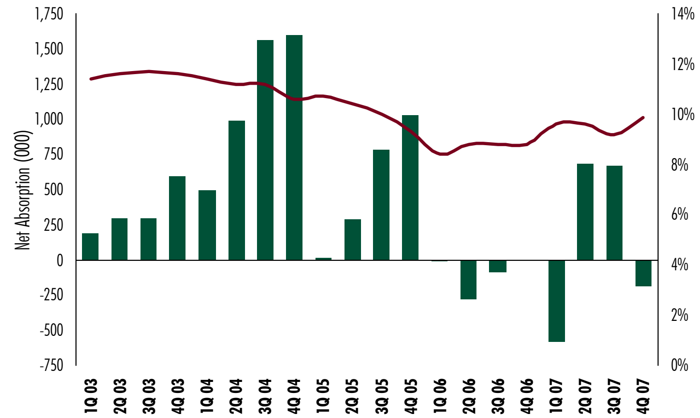


Four new buildings delivered this quarter in Suburban Maryland, totaling 279,606 square feet with 14.1% preleased. Two of the buildings are in Prince George's County and totaled 180,000 square feet. The largest is located at 5825 University Research Court in College Park. It totals 120,000 square feet and was developed by Manekin, LLC. The largest number of deliveries in 2007 were in Montgomery County for a total of 800,056 square feet. Frederick and Prince George's Counties delivered 429,928 and 321,933 square feet, respectively.

By year-end 2009, a total of 3.1 million square feet is expected to deliver. It is expected that 14 projects, totaling 2.5 million square feet, will deliver in Montgomery County alone. Of this, 2.1 million square feet will be in the I-270 Corridor.

AVAILABILITY/NET ABSORPTION

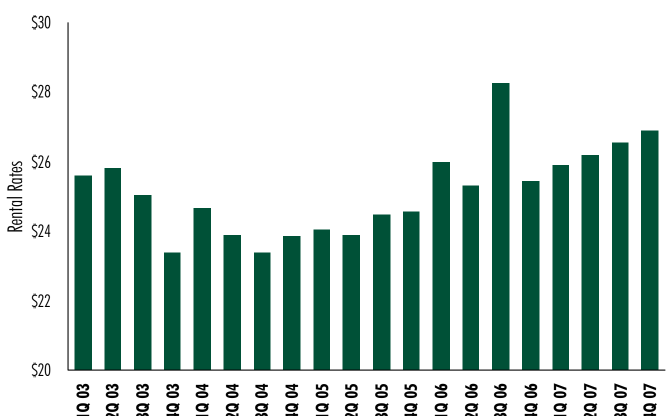
Absorption ■ (188,088) SF
Vacancy ▬ 9.85%



The vacancy rate increased from 9.16% to 9.85% over the quarter. Class A space saw an increase in vacancy from 9.34% in the third quarter to 10.0% this quarter. Though tenants typically looked for higher quality Class A space, they settled for Class B space in the inner submarkets due to the scarcity available product. Prince George's County had the highest absorption of the quarter totaling 244,981 square feet in part to three new leases over 40,000 square feet signed in the market. For the year, Frederick County has the highest positive absorption totaling 348,344 square feet. The Suburban Maryland year-end total absorption was 574,920 square feet despite the negative 188,088 square feet of the fourth quarter.

AVERAGE ASKING LEASE RATES

Avg. Asking Lease Rate ■ $26.89



Rent growth remained positive as tenants showed a willingness to pay higher rents, especially in the closer-in submarkets like Silver Spring and Bethesda/Chevy Chase. During the quarter, the direct asking rate increased from $26.54 to $26.89 per square foot. Class A rental rates were $29.15 per square foot, whereas Class B rental rates were $24.59 per square foot. The rental rate in Montgomery County led the market at $29.02 per square foot. Frederick County and Prince George's County asking rental rates were $23.38 and $22.77 per square foot, respectively.

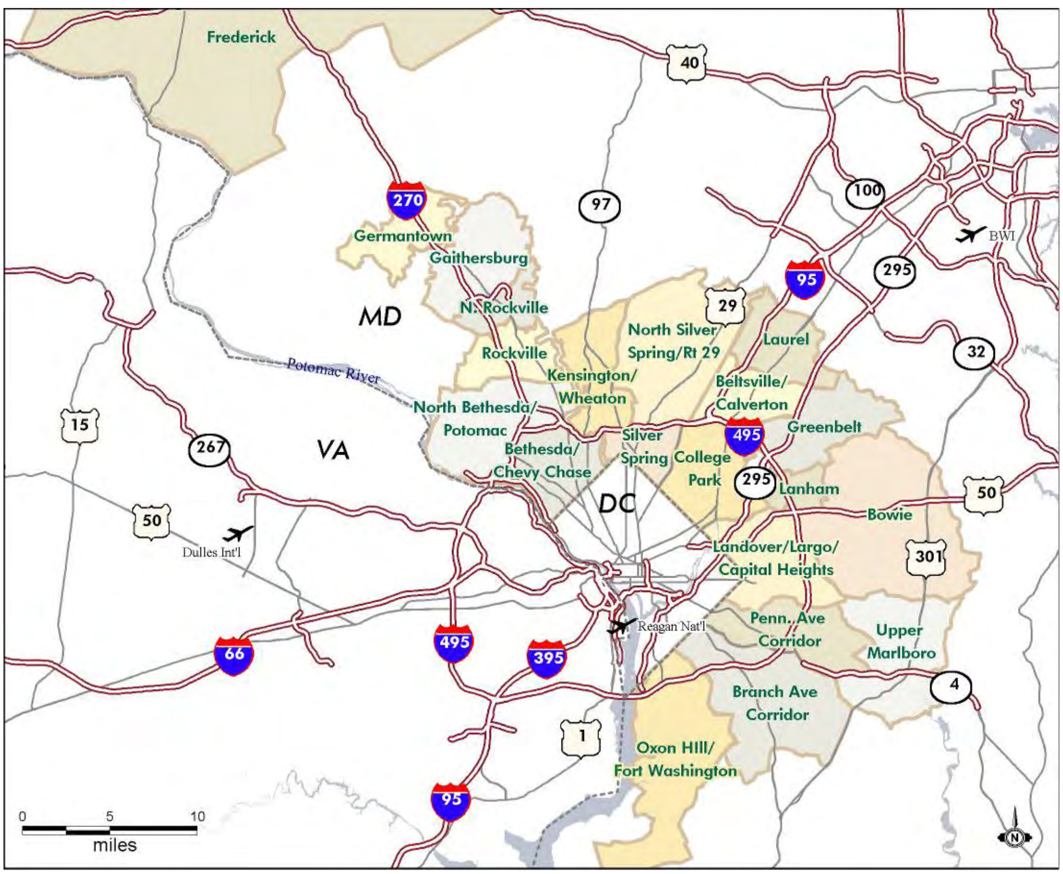
MARKET OUTLOOK

As new construction delivers with minimal preleasing, vacancy rates are expected to continue to rise in 2008 as 24.5% of the space currently under construction is preleased. As tenant demand slows, absorption is anticipated to be below historical levels in 2008. Average asking rental rates are expected to remain steady as rates become more competitive while the amount of concessions are expected to increase.

TOP FOURTH QUARTER SUBURBAN MARYLAND LEASE TRANSACTIONS

Size (SF)	Tenant	Address	Submarket	Lease Type
92,108	Comcast Corporation	1301 McCormick Drive	Lanham/Landover	Relet
50,779	JBS	5515 Security Lane	North Bethesda	Relet
50,000	Intelligence Advanced Research	5850 University Research Court	College Park	New
46,616	GSA - NOAA	20020 Century Boulevard	Germantown	Renewal
41,580	SGT, Inc.	7515 Mission Drive	Greenbelt	Sublet
30,804	Booz Allen Hamilton	1 Preserve Parkway	Rockville	Relet

SUBURBAN MARYLAND SUBMARKET MAP



AVAILABILITY RATE
Available square feet divided by the net rentable area.

AVAILABLE SQUARE FEET
Available building area which is either physically vacant or occupied.

AVERAGE ASKING LEASE RATE
Rate determined by multiplying the asking lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

FULL SERVICE
Rent is inclusive of operating expenses and rates

MARKET COVERAGE
Includes all competitive office buildings 10,000 square feet and greater in size. Includes single tenant and owner occupied inventory.

NET ABSORPTION
The change in occupied square feet from one period to the next.

NET LEASES
Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

NET RENTABLE AREA
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

NORMALIZATION
Adjustments to the market, base, number and/or square footage of buildings in previous quarters to match adjustments made to the current base. Availability and vacancy in previous quarters reflect the adjustments.

OCCUPIED SQUARE FEET
Building area not considered vacant.

UNDER CONSTRUCTION
Buildings which have begun construction as evidenced by site excavation or foundation work.

VACANCY RATE
Vacant building feet divided by the net rentable area.

VACANT SQUARE FEET
Existing building area which is physically vacant or immediately available.

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